

Thinking About Costs

- Pro-competition, not pro-competitor
 - Ultimately, a minute is a minute *and* a bit is a bit.
 - Leveling the playing field up (efficient competitive markets for everyone) rather than down (applying monopoly regulations to new services).
- Determining the correct metric
 - Is a bit really always a bit?
 - Does VON have the same cost characteristics as streaming audio?
 - Implications of prioritization, quality of service, and synchronous vs. asynchronous communications.



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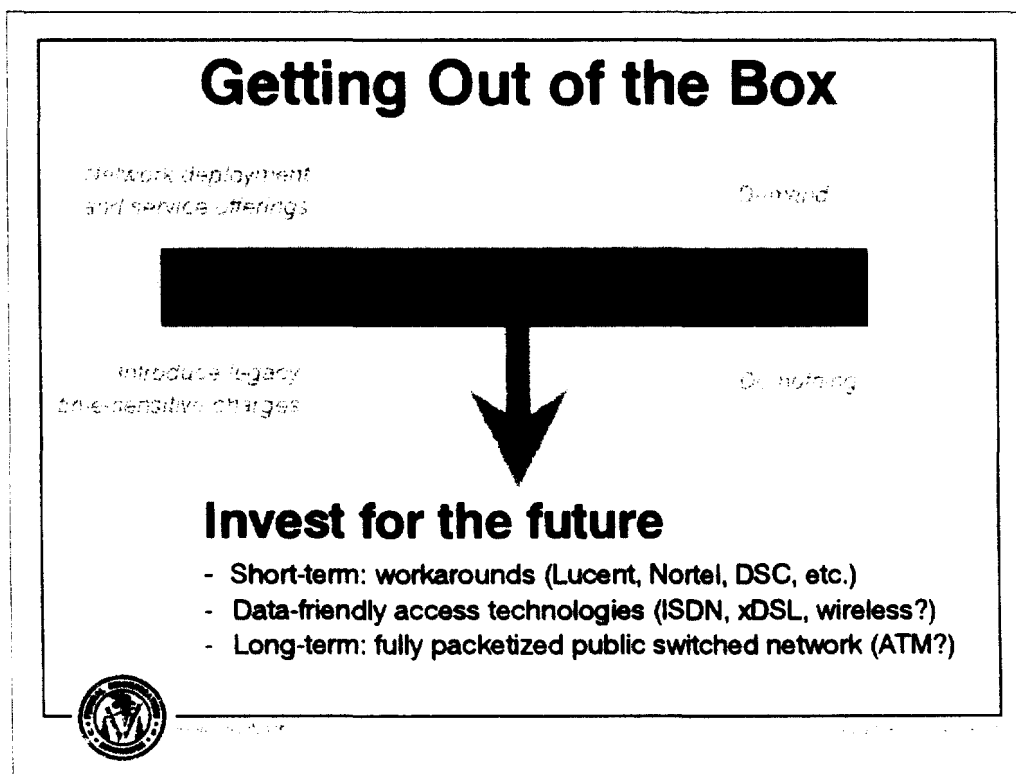
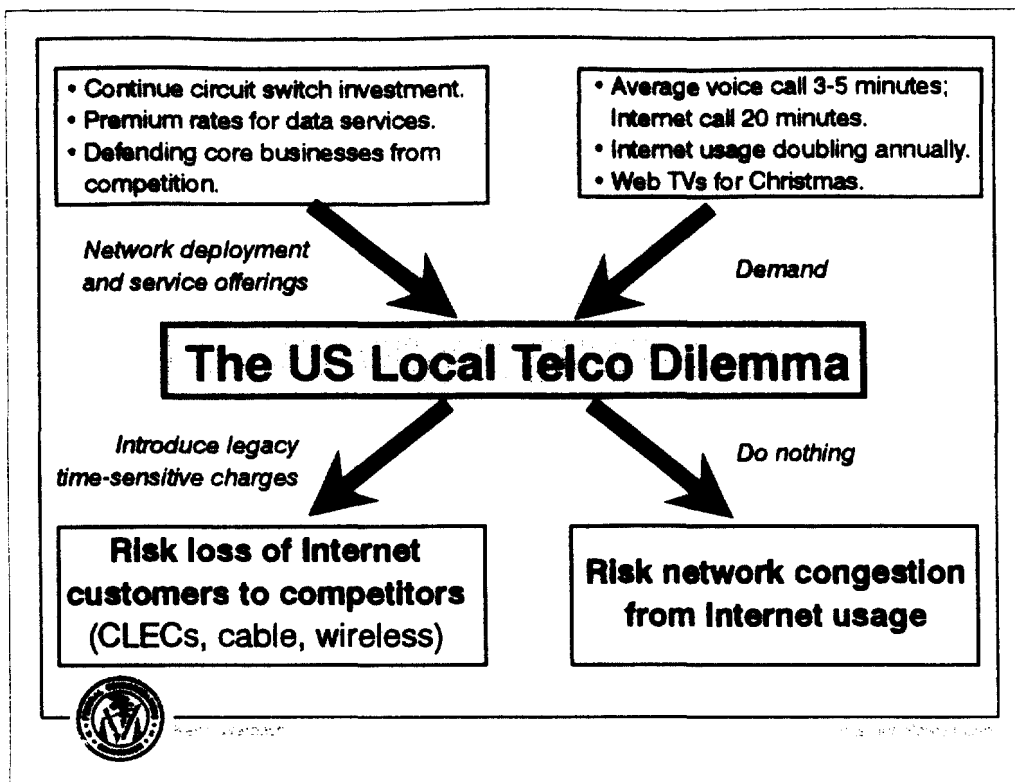
Empirical Questions ("facts")

- Does flat-rated pricing cause over-use?
 - Why doesn't this happen with local calling in the US?
 - ISPs disconnect users after period of inactivity.
 - Revenue from demand stimulation (e.g., 2nd lines)?
- Does VON increase or decrease hold times?
- What is the "real" cost comparison of VON vs. conventional circuit-switched voice?
- What are the alternative access technologies, and why are they not more widely used?

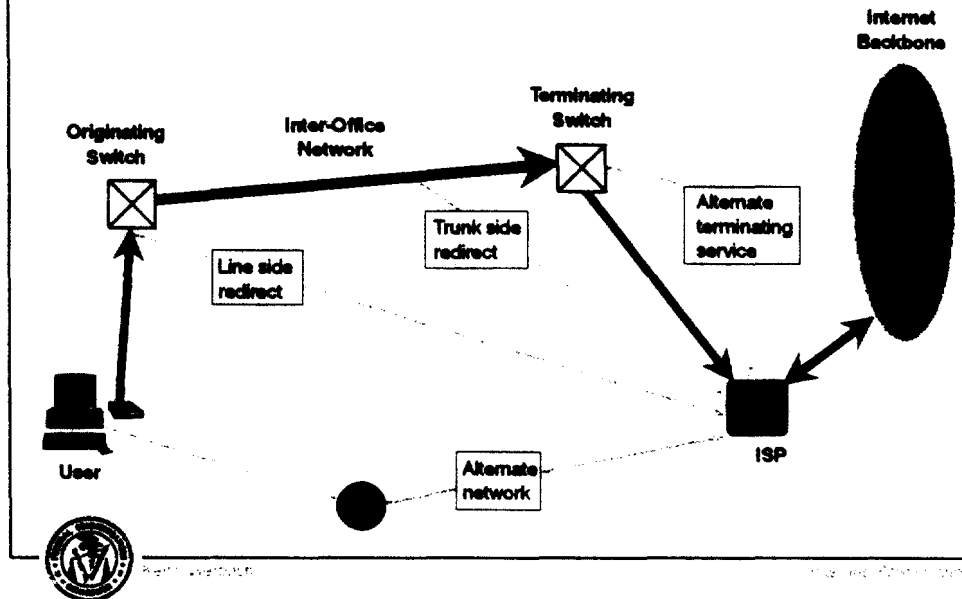


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Solutions to Switch Congestion



International Implications

- International Internet telephony small now, but growing.
 - Gateway services being deployed
 - Huge price difference vs. circuit-switched carriers.
- What, if anything, is the problem?
 - Over-cost pricing
 - No competition
 - Arbitrage incentives
- Potential for significant pressure on the accounting rates system.



Regulatory Options

- "Impose monopoly charges."
- "Do nothing and let network crumble."
- Utilize cost causation for pricing, and encourage investment in "data-friendly" technologies.
 - Facilitate inter- and intra-industry dialogue.
 - Identify and remove regulatory barriers to data-centric service deployment.
 - Develop "whole picture" data on network economics.
 - Create conditions for competitive entry.



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For More Information...

FCC Web Site
<http://www.fcc.gov/>



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EXHIBIT C



NATURAL

Micro Systems

Internet Telephony and NMS Fusion™

Telephony on the Internet
February 19, 1997

www.nmss.com

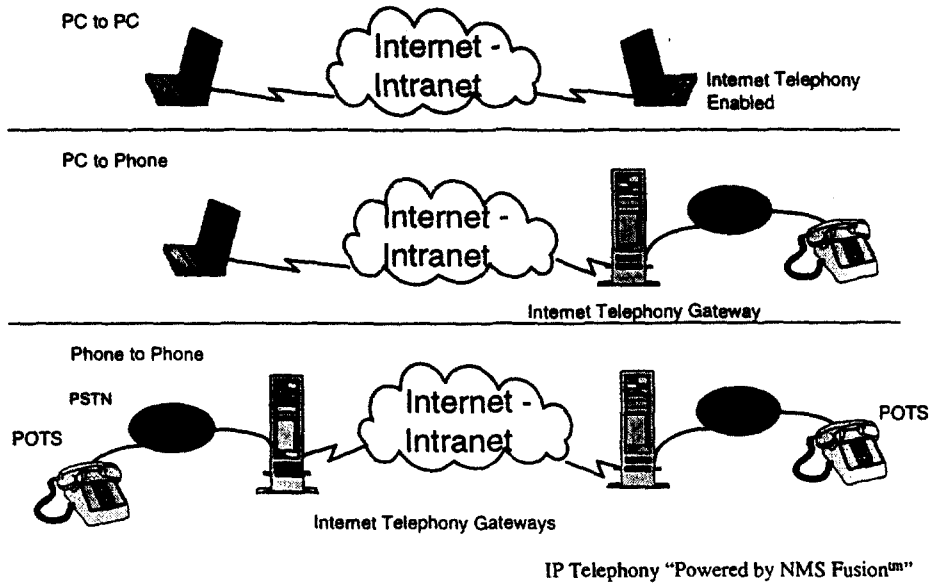


Open Telecommunications™ ...beyond traditional CT markets

- The Internet transforms the Telephony Market
- NMS unique products offer scalability to developers of Internet Telephony solutions
 - **Call, Voice and Fax Processing hardware and software**
 - **Standards based compression**
 - **Real time encoders**
 - **Integrated TCP/IP access hardware and software**
 - **Internet Telephony software development environments**

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Evolution of Internet Telephony



Key Markets and Applications

Inter-Exchange Carriers

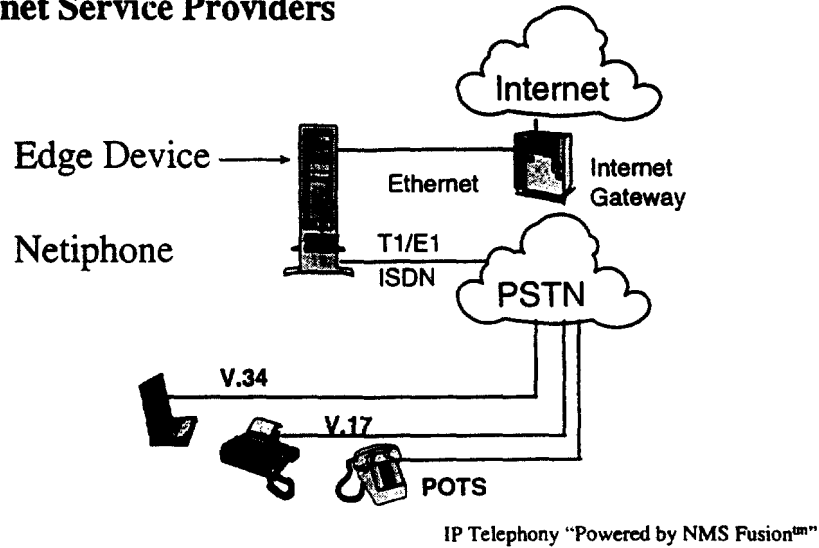
Long Distance Replacement - Inter-Tel



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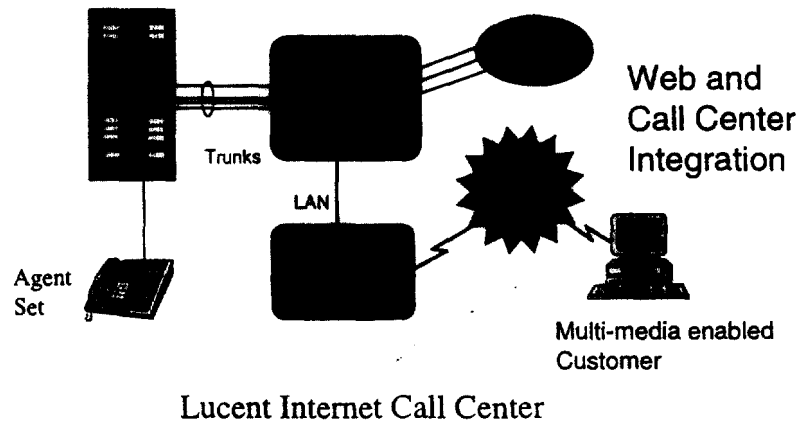
Key Markets and Applications

Internet Service Providers



Key Markets and Applications

Call Center integration with the Web



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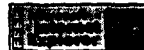
Key Issues in Internet Telephony

- Voice Quality
- Bandwidth
- Standards
- Scalable Architectures

According to Jupiter Communications April 96 and NMS

Standards

- ITU H-323
 - G.723.1 - 6.4Kbit encoder
 - H-245 - Call Control, Encoder Negotiation
- MS-GSM, G.729
- Intel Internet Phone
- Netscape Conference
- Microsoft NetMeeting



Internet Telephony Architectures

•Current Model

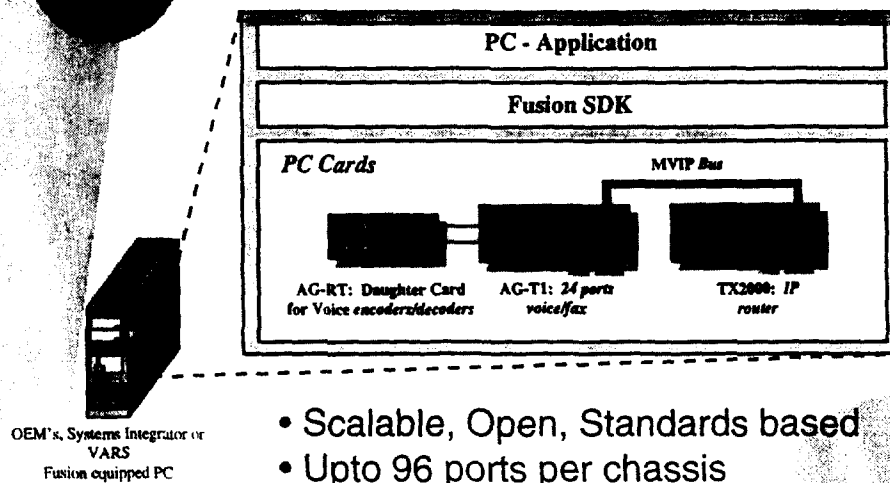
- Entry cost low, high incremental cost
- Work is done in the host
- Simplistic, bogs host
- Adds delay
- Not scaleable

•New Model

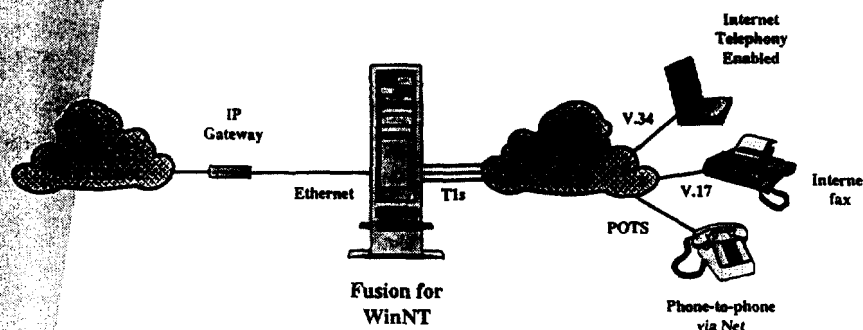
- Low cost per port, small incremental cost
- Work is done on the boards
- Minimal host overhead
- Reduces delay
- Highly Scaleable

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NMS Fusion™ for WinNT™



NMS Fusion in the Network



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Value Proposition

- *Multimedia technology platform* for Internet Telephony products
- Leverages NMS existing product sets and provides *time to market* for *scalable* Internet Telephony solutions
- *WinNT based* - fastest growing Internet Server OS

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Summary

- Internet Telephony is an explosive market
- Time to market and scalability for Internet Telephony solutions is critical
- NMS has a unique offering that addresses time to market for scalable Internet telephony solutions

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CERTIFICATE OF SERVICE

I, Michele Grasse, a secretary in the law office of Helein & Associates, P.C., do hereby state and affirm that copies of the foregoing "Initial Comments" were served via hand delivery, this 24th day of March, 1997, on the following:

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Commissioner Rachelle B. Chong
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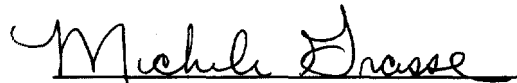
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